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Manufacturing Tax Reform Working Group
Ways and Means Committee
United State House of Representatives
Washington, DC 20515

On behalf of the Wood Machinery Manufacturers of America (WMMA), we would like to submit the following comments about tax reform.

Specifically, we would encourage you to include two important initiatives for manufacturers.

First, we ask that you include the Manufacturing Reinvestment Accounts (MRAs) concept that has been introduced in past Congresses on a bipartisan basis. The concept is to amend the Internal Revenue Code to establish tax-exempt MRAs for taxpayers engaged in a manufacturing business. It would allow such manufacturers to make tax deductible cash payments into an MRA of the lesser of their domestic manufacturing gross receipts for the taxable year or \$500,000. The proposal would permit expenditures from an MRA for expenses for property to be used in the manufacturing business and expenses for employee job training and workforce development. The proposal would terminate the tax deduction for payments to an MRA seven years after the enactment of this legislation.

The term “manufacturing business” means any trade or business having domestic manufacturing gross receipts. The term “domestic manufacturing gross receipts” means gross receipts of the taxpayer which are derived from any lease, rental, license, sale, exchange, or other disposition of tangible personal property which was manufactured by the taxpayer in whole or in significant part within the United States.

Under the proposal, if a manufacturer contributes \$500,000 annually and the account earns interest at five percent, with a low 15 percent tax rate on amounts distributed from the MRA, after seven years the manufacturer would have approximately \$3.6 million to reinvest in the business. The option to invest in such MRAs for manufacturing firms across the country will help them get a bigger return on the dollar and free up capital to invest in machinery, infrastructure, and job training, ensuring that they can succeed in both the short and long-term.

Our second recommendation is to make permanent and index for inflation the current temporary direct expensing allowance found in Internal Revenue Code Section 179. It allows businesses to write off the amount of equipment and asset purchases in the year of purchase up to a certain amount as long as the business does not spend more than a specific total amount on such purchases in a year.

Our recommendation is to increase permanently the amounts for new equipment and property up to \$500,000, with the deduction phased out for investments exceeding \$2,000,000 and index both amounts for inflation). It is important to point out that without action, the current temporary allowance and cap of \$500,000 and \$2,000,000 will revert to \$25,000 and \$200,000, respectively, in 2014 - levels we have not seen in decades.



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We are front line witnesses to the importance of the direct expensing allowance. It provides an incentive for the manufacturers that buy our machinery and equipment to produce goods here in the United States, which in turn creates more jobs and economic opportunity. We know that Section 179 works.

Thank you for considering our views.

WMMA is a professional trade association composed of U.S. manufacturers of woodworking equipment, cutting tools, and supplies and whose purpose is to promote the interests of its members serving the woodworking industry. Distributors, suppliers and consultants to the industry also belong to the association as Associate Members. Manufacturer members design, build and sell equipment, tooling, supplies, and components used in the manufacture of all types of wood products. Members' products are used in furniture, door and window, flooring, and kitchen cabinet manufacturing plants; plywood and particleboard mills; lumber mills; shipyards; mobile home and pallet manufacturing plants; home workshops; plus a wide variety of associated wood processing operations. Many members also serve the plastics, stone, and non-ferrous metals market machining aluminum, brass, copper, and other non-ferrous metals.

Regards,

Fred Stringfellow, CAE
Executive Director